

## Message Text

CONFIDENTIAL

PAGE 01      WARSAW 04588 021032Z  
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05  
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 L-03 H-01  
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XMB-02 OPIC-03 LAB-04 SIL-01 AGRE-00 ABF-01 FS-01  
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FM AMEMBASSY WARSAW  
TO SECSTATE WASHDC 5374

C O N F I D E N T I A L WARSAW 4588

PASS TREASURY AND AGRICULTURE

E.O. 11652: GDS  
TAGS: EFIN ETRD EAGR PL US  
SUBJ: POLISH GOVERNMENT REQUEST FOR DEFERRED REPAYMENT OF CCC  
CREDITS

1. DURING MY INITIAL CALL ON MINISTER OF FINANCE HENRYK KISIEL  
ON THE MORNING OF MAY 25 THE MAIN SUBJECT OF DISCUSSION WAS THE  
POSSIBILITY OF POLISH REPAYMENT OF ITS CCC INDEBTEDNESS AT THE  
END OF THE THREE YEAR REPAYMENT PERIOD, RATHER THAN IN THREE ANNUAL  
INSTALLMENTS.

2. KISIEL, WHO WAS SMILING, RELAXED AND VERY FRIENDLY THROUGHOUT,  
EXPRESSED HIS REGRETS THAT BECAUSE OF HIS RECENT HOSPITALIZATION  
HE HAD NOT BEEN ABLE TO PARTICIPATE IN THE MEETINGS DURING  
SECRETARY BERGLAND'S RECENT VISIT. HE WAS AWARE THAT THE SUBJECT  
OF REPAYMENTS HAD BEEN RAISED IN THESE MEETINGS, BUT EXPLAINED  
THAT THE ISSUE WAS EXTREMELY IMPORTANT FROM A PURELY FINANCIAL  
VIEWPOINT. POLAND'S MOST CRUCIAL PERIOD OF FINANCIAL PRESSURE,  
THE PERIOD WHEN IT MUST MAKE ITS LARGEST DEBT REPAYMENTS WILL,  
HE SAID, BE THE THREE YEARS BEGINNING RIGHT NOW -- 1978-1979-1980.  
IF POLAND COULD SECURE SOME US AGREEMENT THAT ALL CCC DEBT COULD  
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PAGE 02      WARSAW 04588 021032Z

BE PAID OFF PROMPTLY IN 1980, IN ONE LARGE CHUNK, THE EASEMENT  
OF CURRENT FINANCIAL PRESSURES WOULD BE EXTREMELY HELPFUL.

3. KISIEL NOTED THAT HE HAD FIRST RAISED THE POSSIBILITY OF THIS  
FORM OF CCC REPAYMENT DURING HIS BRIEF VISIT TO WASHINGTON IN  
DECEMBER, 1977, JUST BEFORE PRESIDENT CARTER'S TRIP TO POLAND.  
AT THAT TIME, HE SAID, UNDER-SECRETARY OF STATE COOPER HAD SAID

THERE WAS NO LEGAL OBSTACLE TO REPAYMENT OF CCC INDEBTEDNESS AT ONE TIME, THAT IT WAS AN ADMINISTRATIVE DECISION WHICH COULD BE MADE INDEPENDENTLY OF THE CONGRESS. UNFORTUNATELY, KISIEL WENT ON, A FEW WEEKS LATER, DURING THE PRESIDENT'S VISIT IN WARSAW, HE HAD BEEN INFORMED THAT THE VIEWS OF THE US DEPARTMENT OF AGRICULTURE AND THE CONGRESS WERE VERY NEGATIVE. HOWEVER, HE WONDERED - "IS THERE SOME POSSIBILITY THAT, GIVEN THE CRITICAL CIRCUMSTANCES WHICH NOW CONFRONT POLAND, PAYMENT CAN BE POSTPONED IN THE MANNER THAT WE HAD ORIGINALLY REQUESTED IN DECEMBER?"

4. KISIEL ADDED THAT SUCH A CONCESSION BY THE UNITED STATES GOVERNMENT WOULD, OF COURSE, BE IN KEEPING WITH THE IMPROVED STATE OF POLISH-US BILATERAL RELATIONS OVER THE PAST FEW YEARS. HE AGAIN EMPHASIZED POLAND'S CRUCIAL FINANCIAL SITUATION AND NOTED THAT SIMILAR APPROACHES WITH REGARD TO BETTER CREDIT TERMS WERE BEING MADE TO OTHER DEBTORS, SUCH AS FRANCE AND CANADA. (COMMENT: AT NO TIME DID KIESEL MENTION THE WORDS "RESCHEDULING" OR "ROLLOVER," END COMMENT.)

5. I TOLD KIESEL THAT, AS HE WAS AWARE, THIS PROPOSAL ON END-OF-TERM CCC REPAYMENT HAD BEEN MADE SEVERAL TIMES BY POLISH OFFICIALS DURING SECRETARY OF AGRICULTURE BERGLAND'S RECENT VISIT HERE. ALSO, AS HE HAD UNDOUBTEDLY HEARD, THERE IS NOW BEFORE THE CONGRESS PROPOSED LEGISLATION ON POSSIBLE CHANGES IN THE CCC CREDIT SYSTEM. I SAID THERE IS NO WAY FOR US TO KNOW WHAT WILL HAPPEN TO THIS LEGISLATION, AND THAT CONFIDENTIAL

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PAGE 03      WARSAW 04588 021032Z

THE MINISTER WAS SURELY AWARE THAT IN INTERNATIONAL FINANCIAL CIRCLES LONG-TERM CREDITS FOR GRAIN AND OTHER FOODS ARE NOT GENERALLY EXTENDED. I ALSO MENTIONED THAT SECRETARY BERGLAND HAD PROMISED TO EXPLORE WITH OTHER US GOVERNMENT AGENCIES WHAT MIGHT POSSIBLY BE DONE TO HELP POLAND WITH ITS CREDIT PROBLEMS.

6. POLAND'S AGREEMENT TO SUPPLY MORE PRECISE INFORMATION ON ITS GRAIN AND OTHER AGRICULTURAL IMPORT NEEDS HAS, I SAID, BEEN VERY HELPFUL TO US, AS HAS BEEN ITS AGREEMENT TO PROVIDE MORE DATA ON INDEBTEDNESS AND ITS GENERAL FINANCIAL SITUATION. BUT, I ADDED, THERE ARE OTHER PROBLEMS, SOME NOT NECESSARILY SPELLED OUT IN STATUTORY LAWS. THE INTENT OF THE US CONGRESS MUST BE CONSIDERED. AND THERE ARE ASSOCIATED POLITICAL PROBLEMS SUCH AS THE MANY DIVIDED FAMILY CASES ABOUT WHICH WE HAVE MANY TIMES APPROACHED THE POLISH GOVERNMENT. IN CONCLUSION I SAID THAT, AS SECRETARY BERGLAND HAD STATED, WE WILL LOOK INTO THE POSSIBILITIES AND SEE WHAT CAN BE DONE.  
SCHAUFEELE

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